

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 1188 - HB 1052

March 18, 2013

SUMMARY OF BILL: Requires the commissioner or director of a state department or agency, to provide a certification to the Comptroller of the Treasury regarding a proposed contract for services. Such certification shall include the following: (1) no state employee within the department or agency is capable of accomplishing the tasks sought to be contracted; (2) no vacant positions within the department or agency exist that could be filled in lieu of contracting for such services to an outside entity; (3) a cost-benefit analysis has been conducted and the benefit has been determined to exceed the cost; (4) the proposed contractor does not have a record of misconduct in the performance of any past or present contract with the state of Tennessee; and (5) the contracting department or agency will oversee the performance of the contract. Requires a copy of the cost-benefit analysis to be attached to the certification.

ESTIMATED FISCAL IMPACT:

**Increase State Expenditures - \$38,400/One-Time
\$2,730,100/Recurring**

**Increase Federal Expenditures - \$500/One-Time
\$84,600/Recurring**

Assumptions:

- According to the Department of Finance and Administration, Office for Information Resources (OIR), the proposed bill would require OIR to expand the scope of its responsibilities to include independent verification and validation of systems development efforts and would result in a need for seven additional positions.
- The recurring increase in state expenditures for OIR is \$616,874 which includes salaries (\$68,323.20 x 7 = \$478,262.40), benefits (\$10,268.98 x 7 = \$71,883), insurance (\$5,999.28 x 7 = \$41,994.96) plus telephone charges, training, computers, LAN/WAN charges, and rent for the seven positions (\$3,533.33 x 7 = \$24,733.31).
- According to the Department of General Services (DGS), two additional staff positions would be necessary to prepare the cost benefit analysis and one additional staff position would be required to research vendors resulting in a recurring increase in state expenditures.
- The increase in state expenditures to DGS of \$227,545 includes salaries (\$53,333 x 3 = \$159,999), benefits (\$8,015.95 x 3 = \$24,047.85), insurance (\$5,999.28 x 3 =

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- \$17,997.84) plus telephone charges, computers, LAN/WAN charges, and rent for three additional positions (\$8,500 x 3 = \$25,500).
- According to the Department of Transportation (TDOT), the Department estimates approximately 600 contracts per year that would require a certification and cost benefit analysis to be provided. TDOT would contract with outside vendors for the cost benefits analysis. According to TDOT, the cost for each analysis is \$2,000 resulting in a recurring increase in state expenditures of \$1,200,000 (\$2,000 x 600 contracts).
 - According to the Department of Intellectual and Developmental Disabilities (DIDD), the Department would require one additional staff position. The one-time cost for a computer is \$1,000 of which 50 percent (\$500) is federal funds. One ASA3 position will result in a recurring increase in state expenditures of \$51,210 that includes salary (\$36,000), benefits (\$5,410.80), insurance (\$5,999.28) plus supplies, LAN/WAN charges, telephone, and other related costs (\$3,800). Of the recurring expenditures, 50 percent is federal funding (\$25,605).
 - According to the Department of Human Services (DHS), the Department utilizes approximately 930 contracts. Due to the increased workload, the Department will need eight additional employees.
 - The total increased one-time state expenditures required for additional staff will be \$35,200 [8 additional staff x \$4,400 (\$3,300 office landscaping + \$200 wiring + \$900 computer/printer)].
 - The increased recurring state expenditures required for additional staff will be \$384,458 (\$107,560.04 + \$88,465.06 + \$93,986.50 + \$51,479.42 + \$42,967.20):
 - two accountant positions [2 x (\$35,800 salary + \$5,380.74 benefits + \$5,999.28 insurance + \$6,600 office space, office supplies, telephone, and LAN/WAN) = \$107,560.04];
 - two administrative services assistant positions [2 x (\$27,500 salary + \$4,133.25 benefits + \$5,999.28 insurance + \$6,600 office space, office supplies, telephone, and LAN/WAN) = \$88,465.06];
 - two HR analyst positions [2 x (\$29,900 salary + \$4,493.97 benefits + \$5,999.28 insurance + \$6,600 office space, office supplies, telephone, and LAN/WAN) = \$93,986.50];
 - one DHS special investigator position (\$33,800 salary + \$5,080.14 benefits + \$5,999.28 insurance + \$6,600 office space, office supplies, telephone, and LAN/WAN = \$51,479.42); and
 - one HR administrative tech position (\$26,400 salary + \$3,967.92 benefits + \$5,999.28 insurance + \$6,600 office space, office supplies, telephone, and LAN/WAN = \$42,967.20).
 - According to the Department of Children's Services (DCS), three additional staff positions will be needed to perform the cost benefits analysis on over 600 contracts.
 - Two additional positions will result in recurring expenditures of \$104,339.20 [2 x (\$34,400 salaries + \$5,170.32 benefits + insurance \$5,999.28 + \$6,600 office space, office supplies, telephone, and LAN/WAN) = \$104,339.20].
 - Of the \$104,339.20, seven percent (\$7,303.74) will be Title IV-E funds; forty-five percent (\$46,952.64) will be funded through TennCare; and forty-eight percent (\$50,082.82) will be state funds.

- Of the \$46,952.64 in TennCare funding, \$16,198.66 are state funds at a 34.5 percent rate and \$30,753.98 are federal funds at a 65.5 percent matching rate.
- DCS will also require a team leader position at a cost of \$57,345.95 (\$38,900 salary + \$5,846.67 benefits + \$5,999.28 insurance + \$6,600 office space, office supplies, telephone, and LAN/WAN).
- Of the \$57,345.95, seven percent (\$4,014.22) will be Title IV-E funds; forty-five percent (\$25,805.68) will be funded through TennCare; and forty-eight percent (\$27,526.06) will be state funds.
- Of the \$25,805.68 in TennCare funding, \$8,902.96 are state funds at a 34.5 percent rate and \$16,902.72 are federal funds at a 65.5 percent matching rate.
- According to the Department of Mental Health and Substance Abuse Services, three additional positions will be required to perform the cost benefit analysis on approximately 450 contracts each year.
- The one-time increase for computers for the three positions will be \$2,700 (\$900 x 3 positions). The Department will require one accountant position, one attorney position, and one administrative services assistant position.
- The increased recurring state expenditures required for additional staff will be \$172,924 (\$60,604.36 + \$67,713.22 + \$44,605.99):
 - one accountant position (\$42,276 salary + \$6,354.08 benefits + \$5,999.28 insurance + \$5,975 office space, office supplies, telephone, and LAN/WAN = \$60,604.36);
 - one attorney position (\$48,456 salary + \$7,282.94 benefits + \$5,999.28 insurance + \$5,975 office space, office supplies, telephone, and LAN/WAN) = \$67,713.22; and
 - one administrative services assistant position (\$28,368 salary + \$4,263.71 benefits + \$5,999.28 insurance + \$5,975 office space, office supplies, telephone, and LAN/WAN) = \$44,605.99.
- Total one-time increase in state expenditures is \$38,400 (\$500 + \$35,200 + \$2,700).
- Total recurring increase in state expenditures is estimated to be \$2,730,117
- (\$616,874 + \$227,545 + \$1,200,000 + \$25,605 + \$384,458 + \$50,082.82 + \$16,198.66 + \$27,526.06 + \$8,902.96 + \$172,924).
- Total one-time increase in federal expenditures is \$500.
- Total recurring increase in federal expenditures is estimated to be \$84,580 (\$25,605 + \$7,303.74 + \$30,753.98 + \$4,014.22 + \$16,902.72).
- According to the following departments and agencies requiring the commissioner or director of a state department or agency to provide a copy of the certification as well as the cost-benefit analysis to the Comptroller can be accommodated within existing resources without an increased appropriation or reduced reversion: Treasury, Commerce and Insurance, Human Resources, Safety and Homeland Security, Tennessee Bureau of Investigation, Tennessee Student Assistance Corporation, Agriculture, Economic and Community Development, Revenue, Environment and Conservation, Board of Parole, Health, Education, Veterans Affairs, Labor and Workforce Development, Bureau of TennCare, Tourist Development, and the Tennessee Wildlife Resources Agency.
- A review of such certifications by the Comptroller of the Treasury will not have a significant fiscal impact.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" written in a more compact style and the last name "Geise" in a more extended, flowing script.

Lucian D. Geise, Executive Director

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